

TO: Distribution

FROM: Marketing Information & Analysis/Jacqueline Lee

SUBJECT: Price/Value Category

DATE: November 18, 1987

This report highlights the price value category's performance through 3rd Quarter 1987 utilizing MSA, Nielsen and SPACE data. Due to the rapidly changing nature of the category and the shipment dynamics associated with introductions, we have examined MSA data on a six-month moving basis for categories and established brands, and on a three-month basis for current test brands.

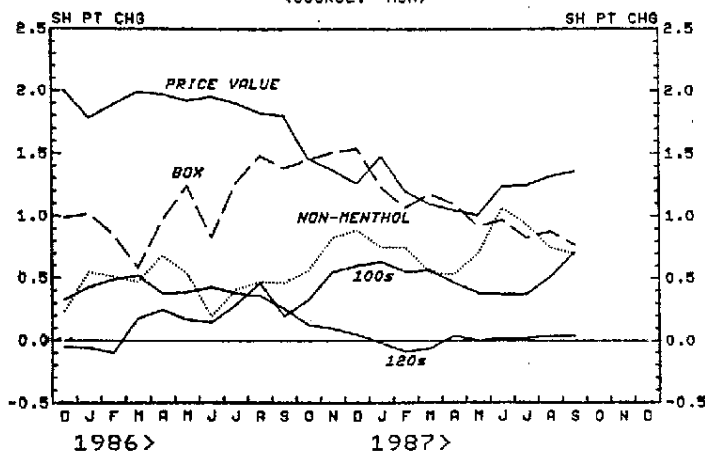
### HIGHLIGHTS

- The price value category continues to be the fastest growing category in the Industry.
- Nearly all of the growth stems from generic-priced brands, namely, branded generics. Unbranded generics continue to exhibit a slight declining trend. Further, since June 1987 (6mm), branded generics have out-performed unbranded generics.
  - Based on the current six months ending September 1987 versus a year ago, Doral leads the Industry in share point growth, gaining almost one full point. In comparison, Cambridge advanced +0.5 points, aided by its full flavor introduction during June 1987. Falcon (+0.2) and Magna (+0.1) also contributed to the growth of the branded generics segment.
  - Given current shipments continue to reflect promotional and inventory maintenance allocations, Cambridge (1.5) grew +0.6 points versus its share prior to its FF introduction (3mm September vs. June 1987). The FF packings presently constitute 0.4 points (25%) of the franchise while the original LTS/ULTRA packings account for the remaining +0.2 point gain.
- The value 25's subcategory continues to be virtually flat.
- All other growth originates from Malibu (price-off), which interestingly is currently at par with Players Lights 25's at a 0.3 share.

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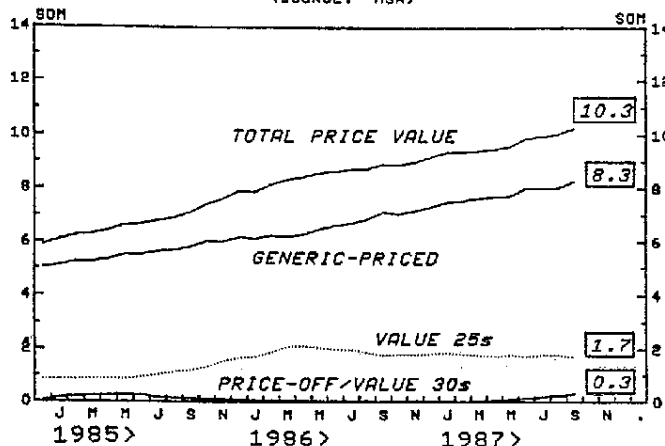
### SHARE GROWTH: P/V CATEGORY vs OTHERS

6MM SHARE DIFFERENCE vs A YEAR AGO  
(SOURCE: MSA)



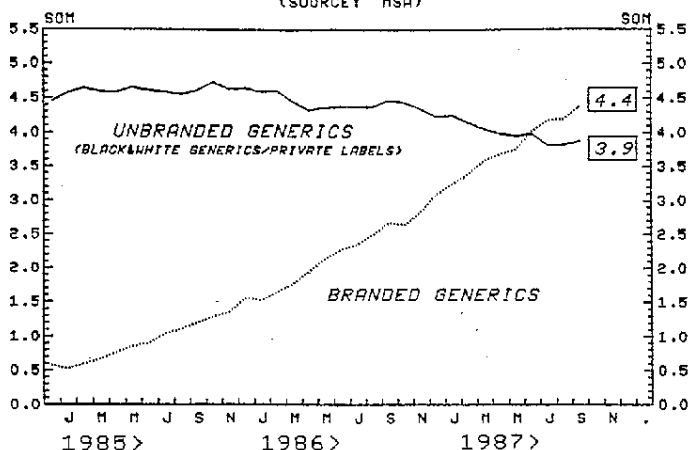
### TOTAL PRICE VALUE CATEGORY

6-MONTH MOVING SHARE OF MARKET  
(SOURCE: MSA)



# BRANDED vs UNBRANDED GENERICS

6-MONTH MOVING SHARE OF MARKET  
(SOURCE: MSA)



This report will be updated on a quarterly basis. Should you have any comments or need additional information, please call.

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K. Eisen	D. Potter
H. Foster	J. Raporte
J. Gillis	F. Resnik
H. Glastein	B. Reuter
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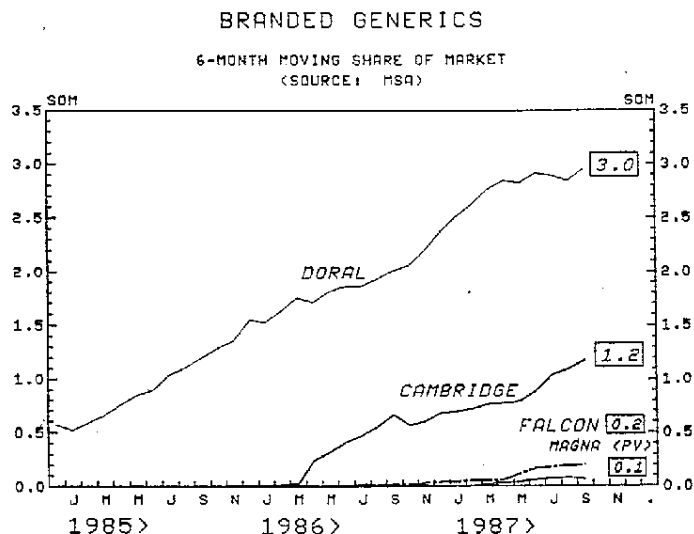
# Share (MSA)

Based on shipment data (6mm September 1987), the price value category exhibits a 10.3 share, up +1.4 share points versus a year ago. The following account for changes which occurred during this time frame:

- Of the branded generics, Doral (3.0) gained +0.9 share points (6mm September vs. year ago).
  - Doral's Full Flavor King Size Box registers a 0.1 share after seven months in test in Lake Charles-Monroe and New Orleans-Baton Rouge (3mm September 1987).

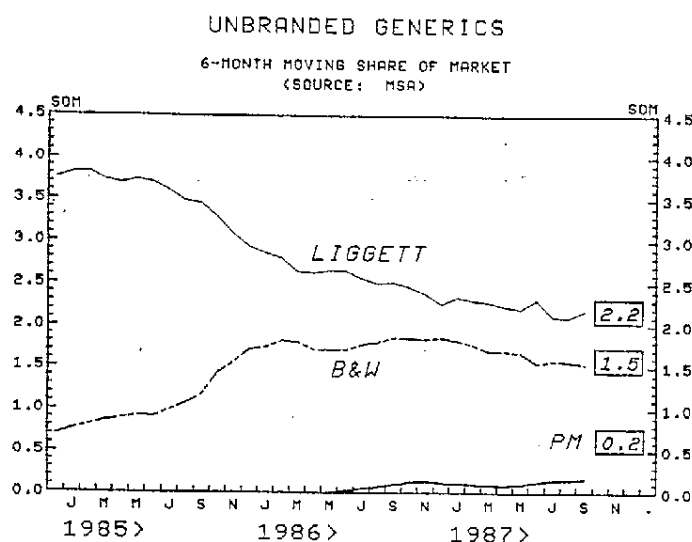
Cambridge (1.2) grew +0.5 points following its full flavor introduction in June 1987. Falcon exhibits a 0.2 share following its national introduction during May 1987 (6mm September 1987 vs. year ago).

- Magna was originally introduced in 11 markets at generic prices during April 1987. Within these 11 markets with generic-priced SDI's ranging from 36 to 181, Magna posts between a 0.3 and 1.2 share (3mm September 1987). However, Magna has since converted to full margin in all original markets save two (Tampa and Orlando). In addition, the brand expanded to another five markets at full margin during July 1987, currently exhibiting between a 0.2 and 0.9 share after three months in test. An analysis of this brand's activities will be reported shortly under separate cover.



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- Of the unbranded generics, PM's Generics/Private (0.2) Labels have gained +0.1 points, while Liggett's (2.2) and B&W's (1.5) each lost -0.3 points (6mm September vs. year ago). RJR introduced its own Generics/Private Labels during September 1987 into Kmart stores under the name Austin, posting a 0.07 share nationally in its first month of shipments.

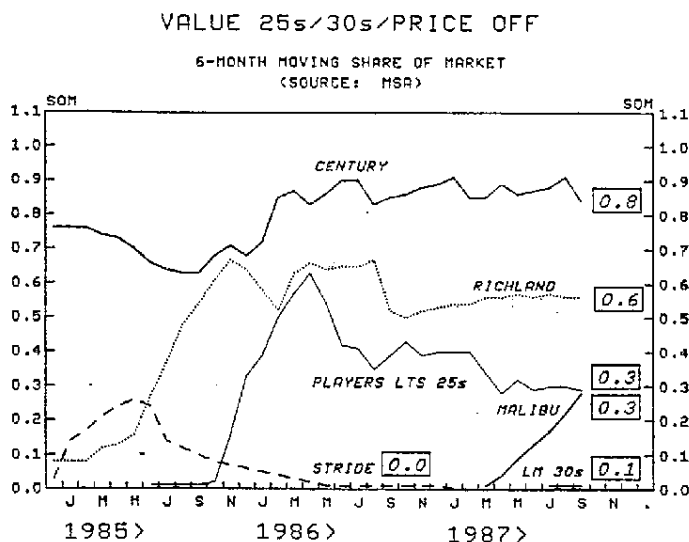


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- Of the value 25's brands, Century (0.8) and Richland (0.6) have remained relatively constant (6mm September 1987 vs. year ago).
- Richland's 100's Menthol 25's display a 0.4 share following three months in test in Columbus and Dayton, Ohio (3mm September 1987).

Players Lights (0.3) (6mm) dropped -0.1 points since the brand's conversion to a ten-pack carton in September 1986 and its heavy promotional support during the latter half of 1986. Kim displays a 0.3 share after 16 months in test in Nashville and a 0.2 share in Hawaii after 15 months in test (3mm September 1987).

- Malibu, the cigarette industry's first "promotional" brand (continuous \$3.00-off promotion), was originally tested in Peoria, Spokane and Manchester during January 1987. Since April 1987, however, the brand has expanded and presently exhibits a 0.6 share in the approximately 75 markets where it is currently marketed (3mm September 1987). Note that this share reflects only those direct accounts which carry the brand. Interestingly, on a national basis, Malibu equates to a 0.3 share (6mm September 1987), at par with Players Lights 25's share.
- L&M 30's is presently in test in approximately 15 markets and posts a 0.8 share (3mm September 1987), after three months of shipments.
- Stride (price-off) continues to report no share activity on a national level.



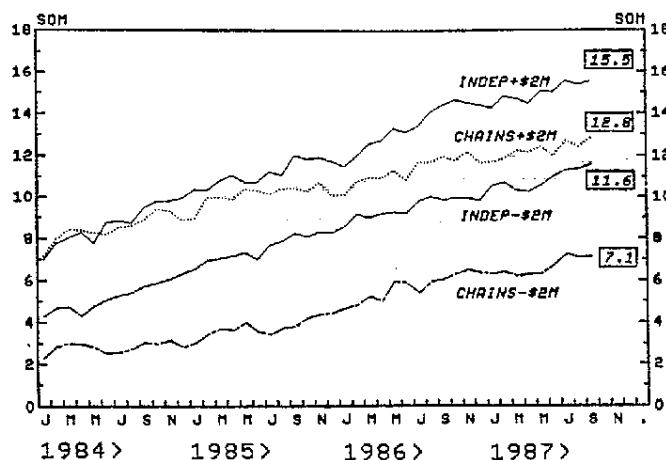
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## Share (Nielsen)

By outlet type, based on consumer take-away data in food stores, the price value category performs best in larger stores (outlets +\$2M) and poorest in Chains -\$2M. This is consistent across all the price value subcategories.

## TOTAL PRICE VALUE BY STORE TYPE

(SOURCE: NIELSEN)

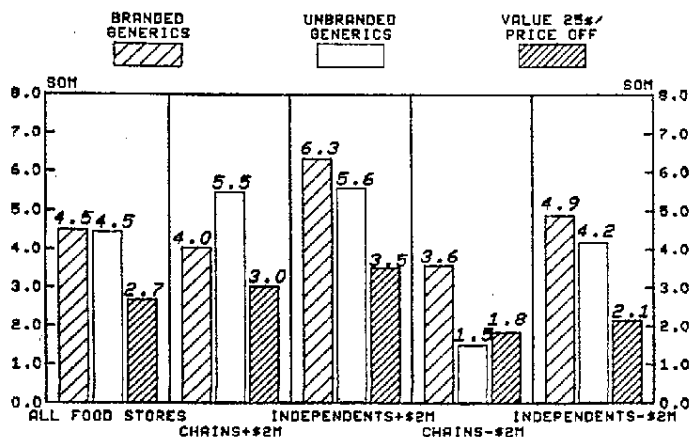


- Based on the current six months ending September 1987, branded generics' share performance leads unbranded generics and value 25's/price-off in all outlet types except Chains +\$2M, where unbranded generics currently maintain about a two share point advantage. Since this outlet type constitutes such a large portion of the industry, branded generics fall short of unbranded generics on an all-food-store basis.
- Note also that although the price value category as a whole lags in Chains -\$2M, performance of branded generics in this store type is growing as fast as in Chains +\$2M.
- However, unbranded generics' share has consistently dropped in all trade classes while branded generics' has risen. In addition, the value 25's/price-off segment has remained relatively unchanged on an all-food-store basis, the result of growth in outlets +\$2M and decline/stability in outlets -\$2M. The value 25's dropped -0.1 points in outlets +\$2M and -0.3 points in outlets -\$2M. Meanwhile, Malibu's (price-off) development in outlets +\$2M (+0.4) is doubled that in outlets -\$2M (+0.2).

## PRICE VALUE SHARE OF MARKET

6 MONTHS ENDING SEPTEMBER 1987

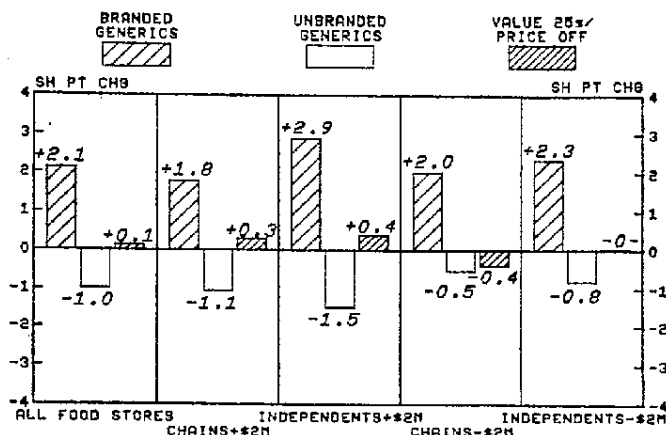
(SOURCE: NIELSEN)



## PRICE VALUE SHARE POINT CHANGE

6 MONTHS SEPTEMBER 1987 VS ONE YEAR AGO

(SOURCE: NIELSEN)



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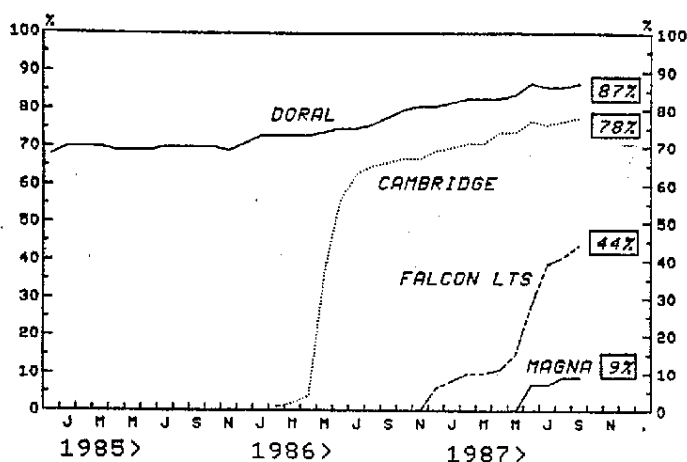
## Distribution (Nielsen)

Consistent with MSA share data, distribution of branded generics exhibits an upward trend while the value 25's distribution is constant. Malibu (price-off) continues to build distribution (44%).

- Interestingly, PM's price value entries have similar distributions (Cambridge 78% and Players Lights 73%). This holds for RJR's entries as well (Doral 87% and Century 86%), although at higher levels. Take note, however, that Players Lights' current distribution (September 1987) has dropped four percentage points since June 1987 (73% vs. 77%).

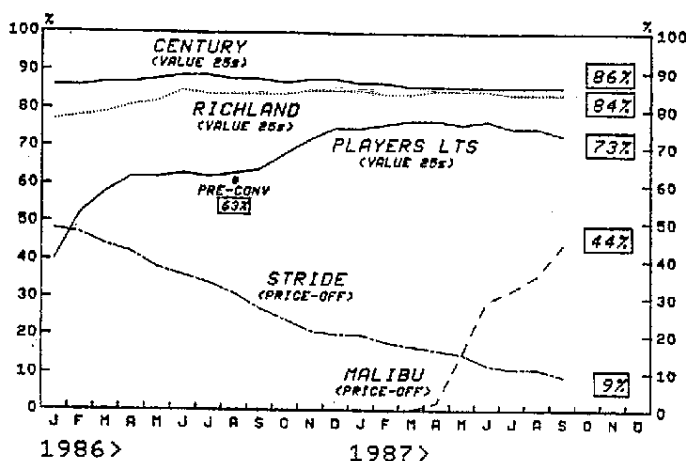
BRANDED GENERICS ACV DISTRIBUTION

(SOURCE: NIELSEN)



VALUE 25s/PRICE-OFF ACV DISTRIBUTION

(SOURCE: NIELSEN)

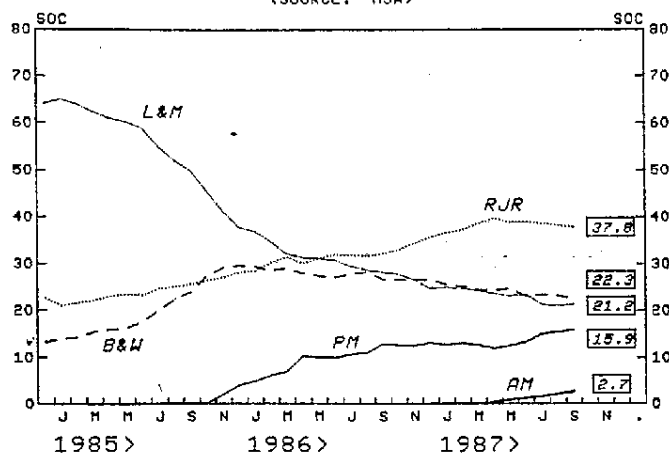


## SOC (MSA)

By manufacturer, RJR (38%) continues to represent the largest share of the total price value category, up +6 percentage points six months September 1987 versus one year ago. Although Liggett (21%) and B&W (22%) together continue to constitute a large portion of the category, their SOC's have dropped -7 and -4 points, respectively. PM (16%) has gained +3 points since its Cambridge Full Flavor introduction while American has captured +3 points from its Malibu introduction.

## SHARE OF PRICE VALUE BY MANUFACTURER

6-MONTH MOVING SHARE OF CATEGORY  
(SOURCE: MSA)

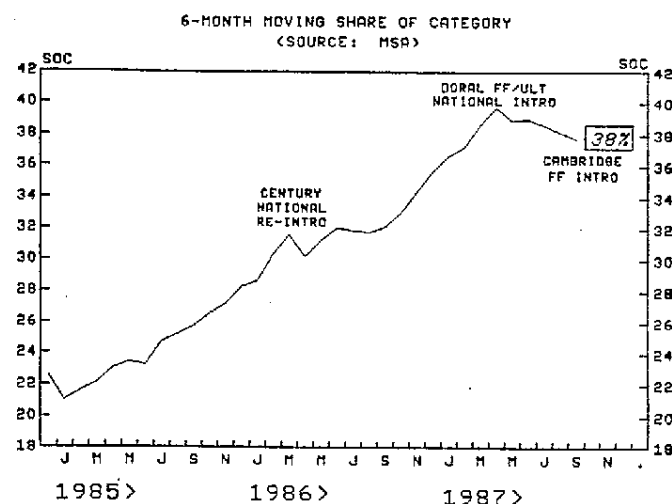
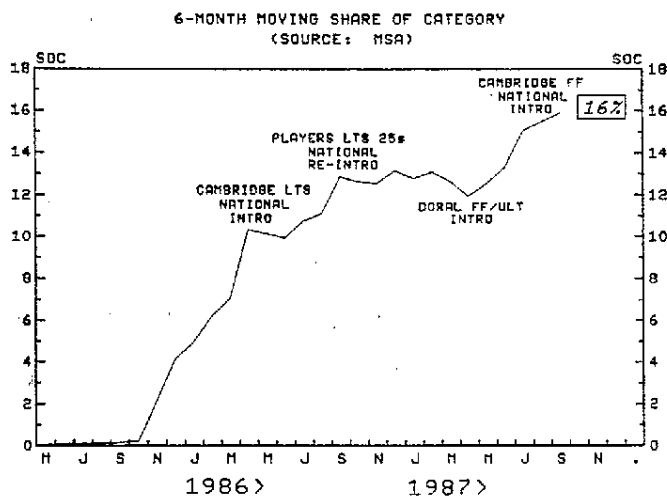


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- PM's share of category slipped to 12% after Doral's FF/Ultra introductions (6mm April 1987) but has since reverted upwards again following its Cambridge FF introduction during June 1987, currently displaying a 16% (6mm September 1987) share of the price value category.
- Conversely, RJR benefited from its Doral FF/Ultra introduction in December 1986, capturing 40% of the price value category (6mm April 1987), but has since dropped to 38% as a result of Cambridge's FF introduction.

PM SHARE OF THE PRICE VALUE CATEGORY

RJR SHARE OF THE PRICE VALUE CATEGORY



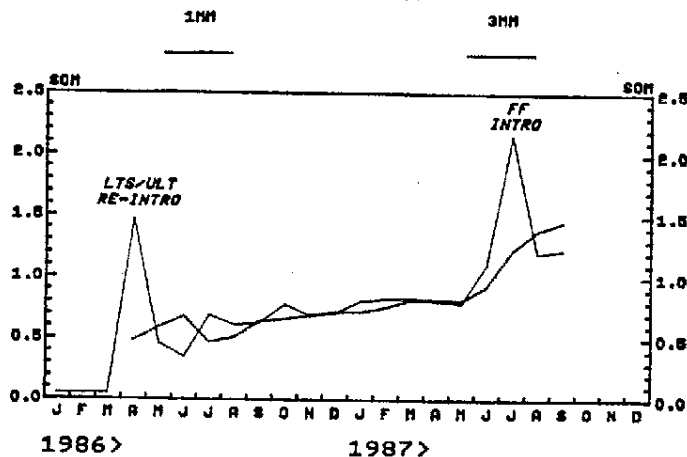
Cambridge/Doral (MSA/Nielsen)

As previously mentioned, the price value category, namely, the branded generics segment is the fastest growing in the industry. As such, we have reviewed the most current (3mm) share performance of Cambridge, focusing on its recent FF introduction, as well as Doral, the two major players in this segment.

Cambridge is currently situated at a 1.5 share, up +0.6 points versus prior to its FF introduction (3mm September vs June 1987). The FF packings presently represent 0.4 points (25%) of the franchise. Note, however, that the brand's performance includes promotional allocations and an inventory maintenance program which occurred 9/21-30.

#### CAMBRIDGE

SHARE OF MARKET  
(SOURCE: MSA)



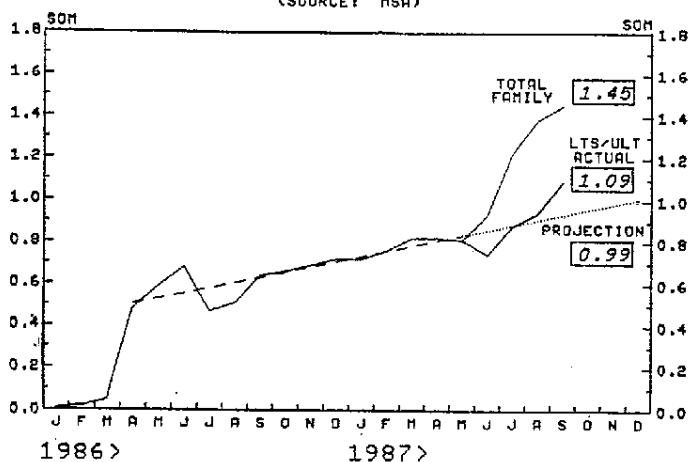
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- As current data continue to reflect promotional and inventory maintenance allocations, it is still too early to accurately assess the impact of Cambridge's FF introduction on the total franchise. However, as reflected below, both MSA and Nielsen data seem to reveal no detrimental impact of the FF introduction on the balance of the brand. If anything, the original packings appear to have benefitted from the additional support awarded to the franchise.

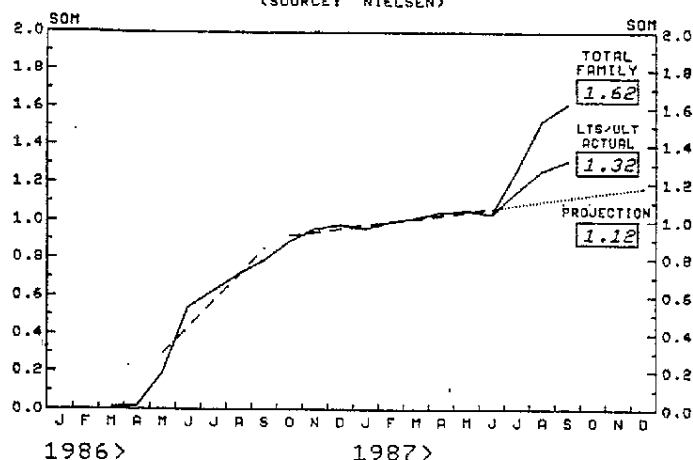
#### CAMBRIDGE

3-MONTH MOVING SHARE OF MARKET  
(SOURCE: MSA)



#### CAMBRIDGE

MONTHLY SHARE OF MARKET  
(SOURCE: NIELSEN)

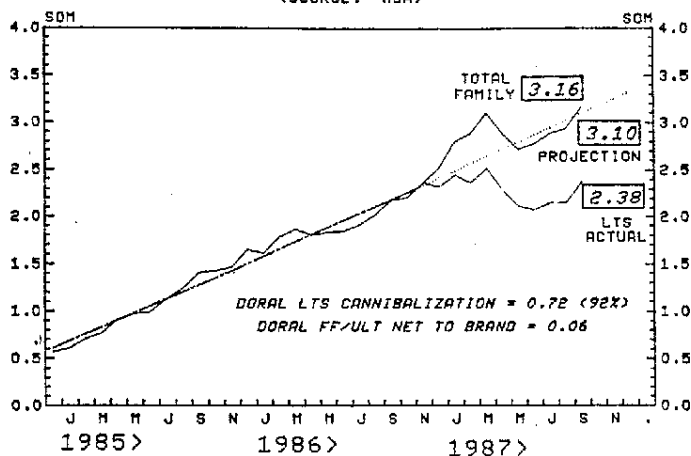


- In examining the impact of Doral's FF and Ultra introductions (December 1986) on its LTS business, 25% of Doral's share resulted from the new packings (0.78) (3mm September 1987). Based on a projection, the FF/ULTRA introduction added +0.06 share points to the franchise, which equates to a 92% cannibalization rate. When utilizing Nielsen consumer take-away data (1mm September 1987), the LTS segment realizes an 84% cannibalization rate.

- Remember, however, that projections of Doral's performance do not take into account Cambridge's FF introduction. This potentially results in an overstatement of cannibalization rates for the brand.

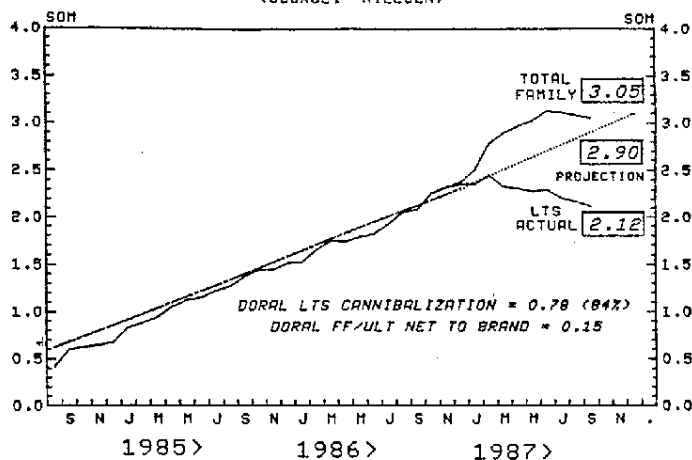
#### DORAL

3-MONTH MOVING SHARE OF MARKET  
(SOURCE: MSA)



#### DORAL

MONTHLY SHARE OF MARKET  
(SOURCE: NIELSEN)



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